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# Intelligence Memorandum

India Eyes the Persian Gulf

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Contral Intelligence Agency Directorate of Intelligence 6 August 1973	
INTELLIGENCE MEMORANDUM	
India Eyes the Persian Gulf	
Summary	
New Delhi is concerned over certain developments in Persian Gulf affairs, particularly what it sees as:	
a regional security threat imposed by Iran's military expansion.	
the Shah's determination to dominate the Gulf and possibly extend Iran's naval influence into the Indian Ocean.	
Iran's solid support for Pakistan.	
India fears these conditions not only hurt the chances for a political accommodation between India and Pakistan, but also threaten water trade routes and India's aspirations for expanded regional influence. New Delhi also finds that its close ties with the USSR and friendship with Iraq feed speculation that a new polarity is developing, pitting the three against Iran and Pakistan. Although India rejects the hypothesis (which, in fact, lacks substance) it has difficulty dispelling suspicions of an emerging axis.	

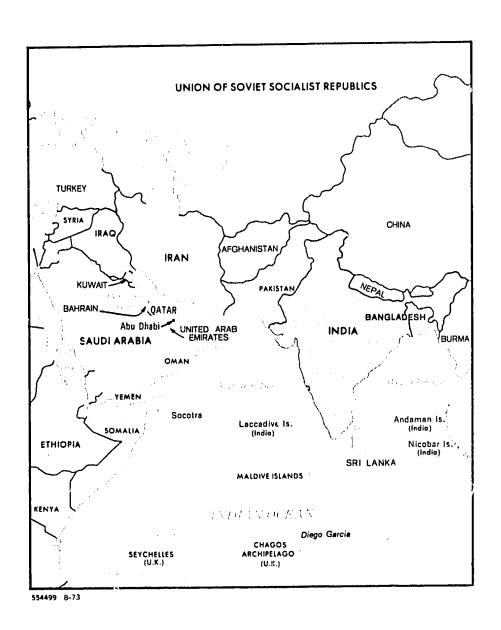
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New Delhi wants to expand its economic relations with the Gulf states in order to tap a vast trade potential and to ensure the continued flow of oil, which accounts for two thirds of India's crude oil consumption.

This memo discusses India's apprehensions, its various moves to strengthen its position in the Persian Gulf/Arabian Sea region, and concludes that its prospects for success are not bright.



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	SP.CICE I		

## THE BASIS FOR INDIAN CONCERN

## Pakistan and Iran Grow Closer

Several major problems remain from the India-Pakistan war in 1971, and progress toward their solution is likely to be slow until a break-through is made in normalizing relations between Pakistan and Bangladesh. To the Indians, the Shah of Iran's firm support of President Bhutto encourages Pakistan to refuse to make the concessions necessary to allow forward movement in peace negotiations with India.

Economic and cultural factors favor close Pakistani-Iranian relations, but the foremost consideration is that of mutual security. The Shah is concerned over activities of dissidents along Iran's southeastern border, who would be encouraged by unstable political conditions in Pakistan. He worries about the fragility of the Pakistani union, given the persisting pressures for greater autonomy in the two western provinces, Baluchistan and the North-West Frontier. Tehran fears that if Bhutto were ousted--possibly by a military coup--the nation would be vulnerable to political chaos and possibly a power struggle involving India, the USSR, and China. such a situation, the Shah suspects India might try to seize the eastern portion of Pakistan while the Baluchi tribesmen who straddle the Iran-Pakistan border in the west would intensify their agitation for an independent Baluchistan. The Shah's fears have been increased by the coup in Afghanistan on 17 July, which brought Mohammed Daud to power. During Daud's previous rule in Afghanistan, from 1953 until 1963, he had advocated policies that nearly led to war with Pakistan.

Iran's rivalry with Iraq also figures in Tehran's relations with Pakistan. The Shah believes that the Iraqis, with Soviet concurrence, are actively supporting Baluchi dissidents on both sides of the Iran-Pakistan border. The discovery of a cache of Sovietmade arms in the Iraqi Embassy in Islamabad last

-3-

SECRET				

February, though most likely intended for Baluchis in Iran rather than in Pakistan, indicated—at least to Tehran and Islamabad—that the USSR and Iraq are involved in a conspiracy. The incident served to draw the two leaders closer, and bilateral cooperation to monitor and counter Baluchi restlessness is likely to increase.

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Bhutto's trip to Iran in May resulted in an agreement for increasing military cooperation. A joint communiqué expressed a mutual resolve "resolutely to stand by each other in all matters bearing on their national independence and territorial integrity." Despite official denials, speculation continues that a formal mutual defense pact is in the works.

# The View from New Delhi

Many Indian officials are convinced that the Shah's support of Pakistan will include the transfer of military equipment. New Delhi was startled by Iran's \$2.5 billion arms order from the US and finds little assurance in the stipulation that arms from the US cannot be transferred to a third country without Washington's approval. The Indians are fully aware that in 1966 Iran bought 90 Canadianbuilt Sabre jet fighters in West Germany and secretly transferred them to Pakistan. Technically, the transfer should have had the approval of both Ottawa and Washington, but Tehran ignored this requirement. India realizes that Iran can also offer other forms of assistance to Pakistan. Iran provided the Pakistanis with limited ammunition and with sanctuary for the planes of Pakistan's national airline during the 1971 Indo-Pakistani war.

India is also discomfited by Pakistan's membership in CENTO and the possibility that CENTO may supply Pakistan with additional arms. President

-4-

Bhutto's decision to retain CENTO membership reversed his 1970 campaign pledge to withdraw from the organization. Bhutto claims India's close association with the USSR, New Delhi's major source of military supplies, was a prime factor in his change of mind.

# Indo-Pakistani Competition Spills into the Gulf

To New Delhi, the Shah's claim that Iran's "security frontier" extends into the Indian Ocean is an unanticipated and unwelcome additional worry. The dwindling of British domination over the Indian Ocean, culminating in the almost complete withdrawal of the UK from the Persian Gulf at the end of 1971, left the Indians with a sense of insecurity and concern that the Indian Ocean, the route of 90 percent of India's trade, would become an area of competition between the major powers. In the meantime, India, stimulated by its decisive victory over Pakistan in 1971, was developing ambitions to become a major power in the Indian Ccean. Over the last three years, it has more than doubled the navy's procurement budget, although the navy still receives only a small part--about 10 percent--of India's \$2.2 billion annual defense expenditure.

So far, Pakistani efforts in the Gulf area have been more fruitful than those of India. For a starter, Muslim Pakistan has an affinity for other Muslim nations that India, overwhelmingly Hindu, Bhutto frequently calls for Islamic solidarity, and during his tour of Arab countries soon after the 1971 war, he received assurances of aid and promises to withhold recognition of Bangladesh until he had obtained the type of settlement he wants. Meanwhile, India's pro-Arab position has reaped few tangible benefits and little sympathy over the years. New Delhi fears that Pakistan is lining up additional financial and military support for a future confrontation with India and that Bhutto can expect considerably more help than he received in 1971.

Pakistan has made special efforts to strengthen its ties to the Middle East. It has been particularly active in exporting military expertise. Over 900 Pakistan military personnel are stationed in four Gulf states—Saudi Arabia, Kuwait, Iran, and Abu Dhabi. Some 900 members of military services in the Gulf are being trained in Pakistan. In Saudi Arabia, most members of a 680-man Pakistani military contingent are operationally integrated into the Saudi armed forces—notably the air force. King Faysal views Pakistan as an important stabilizing force in the Muslim world and Bhutto as an anti-communist, orthodox Islamic leader.

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In Kuwait, Pakistan can also count on strong diplomatic support. Two hundred Pakistani military personnel provide technical support to Kuwaiti armed forces. While only 75 Pakistani military are stationed in Abu Dhabi, they play a key role in the developing defense forces there, and the two countries are particularly close.

Both India and Pakistan are trying to expand trade in the Gulf. The sluggish Indian economy needs to export more goods. New Delhi is trying hard to find markets for its light industrial products to supplement its standard exports such as tea and jute. It is also trying to interest the Gulf states in joint industrial ventures and to establish an arms-export business.

Here, too, Pakistan seems to be in a more favorable position. In contrast to India's dubious economic outlook, the Pakistani economy, temporarily battered by the 1971 war and the loss of East Pakistan, has made an impressive recovery. Pakistani exports have already surpassed the combined exports of both the former East and West Pakistan.

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Devaluation of the Pakistani rupee and aggressive salesmanship have helped produce an export boom and give promise of increasing trade in the Gulf.

# India's Energy Crisis

India's energy crisis is another cause of concern to New Delhi. The country's acute shortage is a result of a combination of problems: last year's limited rainfall; low production and transportation bottlenecks in the coal industry; and a serious shortage of petroleum products. The electricity deficit will be alleviated by the monsoon this summer, but the problems of increasing coal and oil supplies will be less easy to solve.

India still depends on imports from the Gulf for about 65 percent of its crude-oil requirements, largely as a result of its own inadequate efforts to locate domestic crude. Realizing that the nation needs all the crude oil it can get, the government has temporarily eased up on threats to nationalize the three foreign-owned companies that import crude to India and refine it privately. New Delhi is developing a public sector industry, but has not yet had much success. Whatever India's essentially unknown petroleum reserves untimately yield, imported crude will be essential for the indefinite future.

The energy crisis has led the government to shop seriously in the Gulf for a guaranteed source of crude oil. A new agreement with Saudi Arabia will provide 3.3 million tons over three years. India's greatest success to date, however, is a barter agreement with Iraq, which calls for 112 million tons over a 12-year period beginning in 1976, and that part of the payment will be made in Indian goods and services. New Delhi is pleased with the arrangement because it saves scarce foreign exchange and will lessen India's dependence on private importers. The deal also includes an agreement in principle for Indian exploration rights in Iraq's Rumaila oil fields.

-7-

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## Diplomatic Initiatives

Since March, Indian Foreign Minister Swaran Singh has traveled to the Gulf four times in an effort "to strengthen the ties of friendship and to look at new possibilities of cooperation." trips, the first official visits by a ranking Indian official to the newly independent Gulf states, attest to India's desire for closer relations. Trade talks and the encouragement of investment of Arab oil money in India were important aspects of Singh's The latest trip to the area was to Iran missions. where Singh consulted the Shah directly. this initiative came an apparent improvement in Indo-Iranian relations and an agreement in principle for Iranian participation in expansion of the government-owned refinery at Madras.

At the same time, the prospect for closer Indian ties with Oman have dimmed--even though India is Oman's major trading partner. Oman is buying not only cotton goods, spices, rice, and coffee, but also small arms, ammunition, and communication equipment. Now Oman is under pressure from Iran and Saudi Arabia to loosen its ties to India. A small number of Indian officers serve in Oman's Navy, but they probably will be replaced by Pakistanis. Singh, however, was able to lay the groundwork for an air link and collaboration in small industrial ventures. the first resident Indian ambassador to Oman recently took up his post.

New Delhi has appointed a resident ambassador to the United Arab Emirates, and one purpose of Singh's visit was to explore trade possibilities with the seven Trucial states. In Qatar, he paved the way for an Indian trade delegation following a general agreement to increase economic and technical collaboration. In Bahrain, Singh succeeded in arousing interest in joint venture fertilizer and cement plants. In Kuwait, he prepared the way for an expansion of trade between the two countries. He also got an agreement to establish a committee for economic and technical cooperation.

-8-

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## Relations with Iraq

Singh almost surely ran into difficulties in his efforts to expand relations in the Gulf because of New Delhi's ties with Iraq. To some leaders in the area, similarities in the Soviet treaties with India and Iraq imply an axis opposing Iran and Paki-India's friendship with Irag is a particular impediment to improving relations with Kuwait because of Iraqi claims on Kuwaiti territory. the other hand, Indo-Iraqi friendship is stimulated by mutual antagonism toward the West and dependence on Soviet support. Bilateral trade can be expected to grow. Meanwhile, India has agreed to train Iraqis in the maintainance and operation of MIG-21s, and a handful of Iraqi officers attend Indian military Iraq also wants spare parts, ammunition, schools. and related equipment. Baghdad may become increasingly receptive to closer collaboration with India to offset the strong Soviet influence in Iraq.

## Indo-Iranian Standoff

Indo-Iranian relations may improve in the aftermath of Swaran Singh's trip to Tehran last month, but conflicting attitudes toward Pakistan remain an obstacle. lran has tended to ignore India in recent years. Though the Iranians reportedly discussed Indian Ocean security with countries as distant as New Zealand, India was not consulted. Iran believes the USSR is a threat to its independence and territorial integrity and is not likely to abandon its suspicion that India and Iraq are playing a Soviet game at the expense of Iran and Pakistan. New Delhi rejects these allegations, which, it says, are only a rationalization for a transfer of arms to Pakistan. These conflicting attitudes will continue to stand in the way of Indo-Iranian economic collaboration and preclude development of the closer relationship that was expected to follow the Shah's triumphal visit to India in 1969.

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## Prospects

Given India's limited resources, its aspirations to become a major power in the Persian Gulf/Indian Ocean region are unlikely to be realized. There is little India can do to acquire the recognition it desires as long as the great powers remain active in the area. Since 1968 the Soviet Navy has maintained only a small and sporadic presence in the Indian Ocean, essentially for flag-showing purposes. But the Soviets probably look toward a gradual improvement and expansion of their shore-based support facilities, and may increase their calls in the Persian Gulf in order to show that it is not a Western preserve. The US has three ships in the Indian Ocean and a small naval unit in the Gulf. Both the US and UK send large task groups into the Indian Ocean on a fairly regular basis, and France keeps six destroyers and four minesweepers there.

New Delhi is likely to voice its distress at the prospect of growing naval competition in the Indian Ocean in international forums. India is a member of the UN's ad hoc committee studying implications of the Ceylonese resolution, adopted by the UN General Assembly in 1971, to prohibit "any manifestation of great power military presence in the Indian Ocean." New Delhi realizes, however, that without support from either the Soviet Union or the United States, such efforts at best could only limit great power naval presence in the area. India will continue to protest the opening of a small US Navy communications station on the British-held island of Diego Garcia in the middle of the Indian Ocean, and will stand ready to support movements to create a nuclear-free peace zone in the Indian Ocean.

While decrying the naval rivalry of the great powers in the area, India is not hesitating to proceed with the expansion of its own navy. It claims it must be able to ensure its territorial security, including numerous island possessions, and to keep the sea lanes open. The Indian Navy--neglected while the army and air force were experiencing substantial growth--probably will try to accelerate

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a long-range program to improve its combat capabilities. The navy is already one of the largest operational forces in the Indian Ocean, but much of its fleet is obsolete. It wants three task forces, one to operate in the Arabian Sea, one in the Bay of Bengal, and one in southern regions of the Indian Ocean. Meanwhile, the navy is showing the Indian flag more and more. It has made port calls in the Middle East and Africa, and the INS Nilgiri--the first of six cruise missile frigates to be built in India under British license--is on its first extended voyage. It carried out joint maneuvers with the Indonesian Navy en route to Singapore.